

INVESTMENT DUE DILIGENCE



Black Swan Consulting is an independent advisory firm dedicated to meeting the complex and mission critical needs of financial institutions. We develop our solutions and services around a team-based approach that capitalizes on the expertise of our specialists.



Our investment due diligence process is completely independent. We are focused on the needs of fiduciaries to guard against fraud and conflicts of interest. Black Swan is not affiliated with any managers, products, funds or advisors.

We believe in the inherent benefits of understanding manager performance. The goal of our process is to identify and validate sound investment programs. In a dynamic environment, it is critical to analyze and understand investment style as well as risk management procedures.

Benefits of Investment Due Diligence:

- Strengthen working relationship with managers and trustees
- Identifying sound investment programs and practices
- Identifying competent trustees
- Deeper understanding of investment decisions and performance
- Validation of investment policy adherence

Please visit us at: www.BlackSwanConsultingGroup.com

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DUE DILIGENCE PROCESS

Black Swan uses both quantitative and qualitative analysis to evaluate investment programs. Using quantitative methods we focus on the contributing factors behind overall returns and to assess the investment manager's ability to outperform benchmarks. The qualitative component allows us to reach a subjective decision about the ability of managers to produce attractive returns over multiple market cycles.

Quantitative Measures:

- Benchmarking
- Performance ratio
- Expense ratio
- Absolute returns
- Tracking error
- Leading/lagging trends
- Trading effectiveness
- Conflicts of interest

Qualitative Measures:

- Cost-benefit analysis
- Adherence to covenants
- Appropriateness of asset pricing
- Adherence to fiduciary responsibilities
- Custodian/trustee accountability

01 Preliminary Assessment

Investment Documentation
Regulatory Compliance
Performance

02 Quantitative and Qualitative Analysis

Strategy
Portfolio Composition
Investment Decision Process
Risk Management Process

03 Operational Review

Organization and Staffing
Key Personnel and Expertise
Systems and Tools
Risk Reporting and Internal Controls

04 External Validation

Performance Track Records
Custodian
Brokerage
Accountants and Auditors
Legal and Compliance

05 Background Check

Key Personnel
Risk Managers
Compliance Officers
Trustees

06 Ongoing Monitoring

Organization and Staffing Changes
Performance Updates
Regulatory Updates
Market Changes